

INTERNAL REVENUE SERVICE

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May 15, 2001

The Honorable Carl Levin
United States Senator
477 Michigan Avenue, Room 1860
Detroit, MI 48226

Dear Senator Levin:

This letter responds to your inquiry dated April 13, 2001, on behalf of your constituent, [REDACTED] wants to know why he could deduct 32 cents per mile when he was working, but now that he is retired and doing charity work he can only deduct 14 cents per mile.

The amounts deductible are different because, while the business deduction includes the costs of ownership, the charitable deduction only covers out-of-pocket expenses. As you requested, I enclose copies of the relevant sections of the Internal Revenue Code.

Charitable Mileage. The standard mileage rate for the charitable deduction for using a passenger automobile while volunteering services to a charitable organization is set at 14 cents per mile by § 170(i) of the Internal Revenue Code. This rate applies to everyone, including wage earners and retirees. The current rate was set by § 973(a) of the Taxpayer Relief Act of 1997, 1997-4 (Vol. 1) C.B. 112.

Business Mileage. Section 162(a) allows a deduction for ordinary and necessary expenses paid or incurred during the taxable year for an automobile used in any trade or business. Additionally, § 167 allows a depreciation deduction for an automobile used in a trade or business. The business standard mileage rate covers both the costs of using an automobile, such as gasoline and oil expenses (including all taxes thereon), and ownership expenses including depreciation (or lease payments), maintenance and repairs, tires, insurance, and license and registration fees. The cost of ownership is not included in the charitable standard mileage rate.

I hope this information is helpful. Please call John T. Sapienza, Jr., Identification Number 50-6383, at (202) 622-4920 if you have any questions.

Sincerely,

Heather C. Maloy
Associate Chief Counsel
(Income Tax & Accounting)

Enclosures (3)